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SUBJECT: CONSUMER CONFIDENCE IN COSTA RICA REACHES NEW LOW

REF: SAN JOSE 02731

1. (U) Summary: According to the results of a November survey conducted by the University of Costa Rica's (UCR) School of Statistics, consumer confidence in Costa Rica has reached a new low. With a four point margin of error the study reveals that 75% of consumers think that the government is doing dismally in combating inflation, unemployment and poverty. End Summary

2. (U) The UCR School of Statistics conducts a consumer confidence survey twice a year, March and September. According to this poll [http://www.odd.ucr.ac.cr/documentos/informe\\_i\\_cc\\_nov05.pdf](http://www.odd.ucr.ac.cr/documentos/informe_i_cc_nov05.pdf) the number of respondents who believe they and their families are better off than a year ago has reached a new low. The following shows the trend over the last eight surveys to this question:

Can you tell me if economically you and your family are better or worse off than a year ago?

	Better	Equal	Worse	Don't Know	Number of Interviews
Sep-02	22.8	35.9	40.3	0.9	632
Mar-03	25.5	42.5	31.2	0.8	866
Sep-03	21.7	36.8	40.5	1.0	807
Mar-04	22.9	36.0	40.6	0.5	812
Sep-04	13.7	28.3	57.5	0.5	802
Mar-05	19.7	34.2	45.9	0.2	808
Aug-05	17.7	29.4	52.6	0.3	700
Nov-05	11.8	31.6	56.4	0.2	608

3. (U) According to another question in the survey, 65% believed that interest rates would continue to rise; 75% believe that the government has done little in the way of programs to alleviate inflation, unemployment and poverty and perceive that all have, in fact, worsened. Some 76% of the respondents indicated that they would be unwilling to replace their current vehicles and 58% said this is a bad time to consider buying a home.

4. (U) More that half (66%) said they believed that the country is experiencing a period of economic and political crisis and 46% see that they are worse off this year financially as prices have risen and they can see that they have lost buying power due to the over 14 percent inflation rate.

5. (SBU) Comment: The results of this poll of consumer confidence parallel the pessimism reflected in a recent survey of investor confidence (reported reftel and contained in [http://www.bccr.fi.cr/ndie/Documentos/Informe %20Encuesta%20II-05.pdf](http://www.bccr.fi.cr/ndie/Documentos/Informe%20Encuesta%20II-05.pdf)). Both recorded the most pessimistic views since President Pacheco took office in May 2002. The fact that both consumers and investors have such a pessimistic view of the current situation will affect the February 5 presidential and legislative elections.

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